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DEPT PASS TREASURY FOR SYVRUD
BRUSSELS FOR EEC
GENEVA FOR MTN
PARIS ALSO FOR OECD

EO 11652 GDS
TAGS: EFIN ECON PO
SUBJ: THE PORTUGUESE ECONOMY: TRENDS AND STATISTICS - NUMBER 1

REF: STATE 204322

BEGIN SUMMARY: THE PRESENT POLITICAL CRISIS SERIOUSLY ENDANGERS PORTUGAL'S ECONOMIC STABILIZATION PROGRAM AND ITS PREPARATION OF AN EFFECTIVE RECOVERY PLAN. SIX-MONTH BALANCE OF PAYMENTS FIGURES SHOW AN IMPROVEMENT OVER THE FIRST QUARTER TRENDS, IN LARGEPART BECAUSE THE GROWTH RATE OF IMPORTS APPARENTLY HAS DECLINED CONFIDENTIAL

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SHARPLY. TOURISM RECEIPTS AND EMIGRANT REMITTAANCES, MOREOVER, INCREASED DURING JANUARY-JUNE OF THIS YEAR BY 28.6 AND 20.3 PERCENT, RESPECTIVELY, OVER THE COMPARABLE 1977 PERIOD. WHILE INDUSTRIAL PRODUCTION ROSE ALMOST 10 PERCENT DURING JANUARY-APRIL, IT REPORTEDLY HAS FALLEN TO A MUCH LOWER GROWTH RATE, AND WILL PROBABLY CONTINUE FALLING IF THE CON-STRUCTION SECTOR ENTERS THE WIDELY-ANTICIPATED CRISIS.

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THE AGRICULTURAL OUTLOOK REMAINS GRIM. GOP'S FINANCIAL OPERATIONS ARE WELL WITHIN THE ESTABLISHED 1978 BUDGET TARGETS. INCOMPLETE DATA SUGGEST THAT DIRECT FOREIGN INVESTMENT INFLOWS ARE SMALLER TAN IN 1977. SIX MONTH MONETARY DATA BEGAN TO SHOW THE FIRST EFFECTS OF IMF-INSPIRED CRDIT RESTRICTION. THE CONSUMER PRICE INDEX DURING THE FIRST SIX MONTHS OF 1978 ROSE AN AVERAGE 21 PERCENT OVER JANUARY-JUNE 1977. END SUMMARY.

1. PORTUGAL'S SECOND SERIOUS POLITICAL CRISIS IN SIX MONTHS THREATENS EFFORTS TO STABILIZE THE ECONOMY AND TO PREPARE AN EFFECTIVE RECOVERY PROGRAM. THE CRISIS IS LIKELY TO DELAY BOTH THE COMPLETION OF A REALISTIC MEDIUM-TERM PLAN AND THE INITIATION OF FORMAL, SUBSTANTIVE NEGOTIATIONS ON PORTUGAL'S ACCESSION TO THE EUROPENA COMMUNITY. BOTH EVENTS WERE ORIGINALLY SCHEDULED FOR MID-OCTOBER 1978. CONFIDENCE IN THE POLITICAL SYSTEM'S ABILITY TO RESOLVE THE COUNTRY'S PRESSING ECONOMIC AND SOCIAL PROBLEMS MAY ALSO BE WANING. INFLUENTIAL BUSINESSMEN EXPRESS CONSIDERABLE PESSIMISM, NOTING THAT THE REPORTED STOCK ACCUMULATION OF DOMESTICALLY PRODUCED STEEL, CEMENT, FURNITURE, ETC., REFLECTS A DANGEROUS WEAKENING OF CONSUMER DEMAND. WHILE THESE STATEMENTS APPEAR EXAGGERATED, SUCH ATTITUDES MAY INDUCE DOMESTIC BUSINESSES TO SUSPEND INVESTMENT PLANS WHILE THEY WAIT A CLEARER, AND IMPLICITLY MORE FAVORABLE, DEFINITION OF POLITICAL/ECONOMIC TRENDS.

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2. BALANCE OF PAYMENTS:
AVAILABLE STATISITICAL INDICATORS FOR THIS YEAR REVEAL MIXED RESULTS. THE BALANCE OF PAYMENTS' CURRENT ACCOUNT FOR THE FIRST QUARTER REGISTERED A DEFICIT OF $449 MILLION, UP 75 PERCENT FROM THE $257 MILLION DEFICIT FOR THE SAME PERIOD IN 1977. (BANK OF PORTUGAL EXCHANGE LOSSES THAN THE $450 MILLION LOSS IN THE FIRST QUARTER OF 1977). THE FIRST QUARTER TRADE ACCOUNT IMBALANCE ROSE FROM $492 MILLION IN 1977 TO $644 MILLION IN 1978, AN INCREASE OF 31 PERCENT. TOURISM RECEIPTS AND EMIGRANT REMITTANCES IN THE FIRST THREE MONTHS SHOWED INCREMENTS OF 13 AND 6 PERCENT, RESPECTIVELY, OVER THE 1977 FIRST QUARTER. SIX MONTH B/P DATA SHOW A SUBSTANTIAL IMPROVEMENT OVER THE FIRST QUARTER. THE JANUARY-JUNE CURRENT ACCOUNT DEFICIT TOTALLED $800 MILLION, UP LESS THAN ONE PERCENT FROM THE $793 MILLION DEFICIT FOR THE SAME PERIOD IN 1977. THE FIRST SEMESTER TRADE ACCOUNT IMBALANCE ROSE FROM $1.2 BILLION IN 1977 TO $1.31 BILLION IN 1978, AN INCREASE OF 9.1 PERCENT. TOURISM RECEIPTS AND EMIGRANT REMITTANCE IN THE FIRST SIX MONTHS INCREASED 28.6 AND 20.3 PERCENT, RESPECTIVELY, OVER THE 1977 FIRST SEMESTER. THIS RELATIVE IMPROVEMENT IN THE EXTERNAL ACCOUNTS

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APPRENTLY STRENGTHENED DURING JULY AND AUGUST: PROVISIONAL
BANK OF PORTUGAL DATA INDICATE THAT, FOR THE FIRST TIME IN
YEARS, CENTRAL BANK INTERVENTION RESULTED IN A NET FOREIGN
EXCHANGE ACCUMULATION IN JULY, WITH CONTINUATION OF THAT
TREND IN AUGUST. THAT HAPPY RESULT IS PROBABLY LARGELY
ATTRIBUTABLE TO SHARPLY HIGHER NET TOURISM RECEIPTS. THE
GOP' EFFORTS TO SECURE ADDITIONAL PRIVATE FOREIGN CRDIT
AND IMPROVE THE EXTERNAL DEBT PROFILE CONTINUE TO BEAR
FRUIT DESPITE THE PREVAILING GOVERNMENT CRISIS. THIS
AFTERNOON (AUGUST 17) FINANCE MINITER CONSTANCIO AND AN
AMERICAN - LED FOREIGN BANK CONSORTIUM WILL SIGN THE
RECENTLY NEGOTIATED $300 MILLION MEDIUM TERM LOAN.

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3. TRADE RESULTS:
PRELIMINARY FIGURES REVEAL THA IMPORTS JUMPED
11.7 PERCENT OVER THE FIRST HALF OF 1977, REACHING $2.46
BILLION; EXPORTS GREW AN IMPRESSIVE 14.7 PERCENT,
REACHING $1.14 BILLION. FOLLOWING HIGHER THAN NORMAL
AGRICULTURAL IMPORTS AND SOME CONTINUED STOCKPILING IN
THE FIRST QUARTER, THE IMPORT GROWTH RATE SHOULD MODERATE
SUBSTANTIALLY DURING COMING MONTHS AS STABILIZATION
POLICIES TAKE EFFECT. IN FACT, IT HAS ALREADY BEGUN TO
DECLINE. WHEREAS IMPORTS EXPANDED BY 23 PERCENT IN THE
FIRST QUARTER, THEIR RATE OF GROWTH SLOWED TO ABOUT
4 PERCENT IN THE SECOND QUARTER. IF THESE TRENDS CONTINUE,
THE 1978 TRADE GALANCE MAY NOT EXCEED THE EMBASSY'S PRO-
JECTION OF A $2.35 BILLION DEFICIT.

4. TOURISM AND EMIGRANT REMITTANCES:
TOURIST RECEIPTS BETWEEN JANUARY AND JUNE 1978 TOTALLED
5.3 BILLION ESCUDOS, UP 47 PERCENT OVER THE COMPARABLE 1977
FIGURE. IN DOLLAR TERMS, RECEIPTS TOTALLED $125 MILLION,
AN INCREASE OF 28.6 PERCENT. THE RATE OF GROWTH, MOREOVER,
APPARENTLY ACCELERATED SUBSTANTIALLY DURING MAY AND JUNE,
INDICASTING THAT NET RECEIPTS FOR THE YEAR COULD WELL REACH
THE 30 PERCENT GROWTH PREVIOUSLY PROJECTED BY THE EMBASSY.
EMIGRANT REMITTANCES BETWEEN JANUARY AND JUNE 1978 TOTALLED
27.5 BILLION ESCUDOS, UP 48.8 PERCENT OVER THE COMPARABLE
1977 FIGURE. IN DOLLAR TERMS, REMITTANCES TOTALLED $651
MILLION, OR AN INCREAE OF 20.3 PERCENT.

5. INDUSTRIAL PRODUCTION:
INDUSTRIAL PRODUCTION DURING JANUARY-APRIL 1978 INCREASED
9.6 PERCENT OVER THE SAME PERIOD OF 1977, WITH MANUFACTURING
ALONE RISING 18 PERCENT. THIS EXPANSION, HOWEVER, IS
UNLIKELY TO CONTINUE. FOR EXAMPLE, THE CONSTRUCTION SECTOR IS
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BEGINNING TO EXPERIENCE THE DEPRESSIVE EFFECTS OF THE
STABILIZATION PROGRAM. CONSTRUCTION ASSOCIATION SPOKEMEN
STATE THAT THIS YEAR PORTUGAL MAY BUILD 30,000-35,000 HOUSING
UNITS, COMPARED TO A PREVIOUSLY ANTICIPATED 50,000 UNITS.
DIFFICULTIES IN OBTAINING CONSTRUCTION LICENSES, SOARING
COSTS, SPOT SHORTAGES OF MATERIALS, HIGHER INTEREST
RATES AND TIGHT CREDIT ARE ALLEGED TO BE INHIBITING NEW
CONSTRUCTION PROJECTS. ON THE OTHER HAND, DECLINING REAL
INCOME AND RECENTLY-INCREASED INTEREST RATES REPORTEDLY
DISCOURAGE CONSUMERS FROM PURCHASING THOSE UNITS THAT HAVE
BEEN COMPLETED. THESE FACTORS MAY CAUSE THE SECTOR TO
STAGNATE OR EVEN DECLINE.

6. AGRICULTURE:
THE AGRICULTURAL OUTLOOK IS DISCOURAGING. LATEST

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OFFICIAL ESTIMATES OF AREAS TO BE HARVESTED ARE UP 27 AND
5 PERCENT FOR WHEAT AND BARLEY, RESPECTIVELY, BUT DOWN
37 PERCENT FOR OATS AND 3 PERCENT FOR RYE. PRODUCTION
ESTIMATES ARE GENERALLY PESSIMISTIC. AVERAGE YIELD
PER HECTARE FOR VARIOUS CEREAL AND GRAIN CROPS FOR 1978 AS
COMPARED TO THE DECADE AVERAGE ARE PROJECTED AS
FOLLOWS: WHEAT, 46 PERCENT LOWER, BARLEY, 28 PERCENT LOWER;
RYE AND OATS, 27 AND 24 PERCENT LOWER. WINE AND OLIVE
PRODUCTION IN 1978 ARE EXPECTED TO BE LOWER BY 37 AND 32
PERCENT, RESPECTIVELY, THAN THE 10 YEAR AVERAGES.

7. FOREIGN INVESTMENT:
FOREIGN INVESTMENT INSITUTE (FII) DATA REVEAL THAT
AUTHORIZED NEW FOREIGN DIRECT INVESTMENT DURING THE FIRST
SIX MONTHS OF 1978 TOTALLED $14 MILLION, OR 35 PERCENT BELOW
THAT REGISTERED BY BANK OF PORTUGAL DURING SAME PERIOD OF

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1977. FII BEGAN FORMAL OPERATION ONLY IN JANUARY 1978,
HOWEVER, AND ITS DATA PROBABLY DO NOT EMCOMPASS ALL FOREIGN
DIRECT INVESTMENT. MOREOVER, BANK OF PORTUGAL USED A
DIFFERENT SYSTEM IN COMPILING DATA FOR 1977 AND PREVIOUS
YEARS. COMPARABILITY OF THE 1977 AND 1978 DATA IS, THEREFORE,
QUESTIONABLE. THE $20 MILLION UPJOHN JOINT VENTURE IN THE

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PETROCHEMICAL SECTOR WAS APPROVED BY THE FII IN LATE JULY.

8. GOP BUDGET:
PORTUGAL'S CENTRAL GOVERNMENT BUDGET OPERATIONS DURING THE FIRST FIVE MONTHS OF 1978 PRODUCED A SMALLER NOMINAL, AND THUS SUBSTANTIALLY SMALLER, REAL DEFICIT THAN IN THE SAME PERIOD OF 1977. THE RELATIVELY SLIGHT INCREASE (5.4 PERCENT) IN RECEIPTS DURING THIS PERIOD REFLECTED THE DELAY IN IMPLEMENTATION OF THE 1978 BUDGET. (MOST TAX INCREASES AUTHORIZED IN THE BUDGET DID NOT BECOME EFFECTIVE
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UNTIL JUNE 1978). RECEIPTS SHOULD EXPERIENCE A MUCH FASTER RATE OF GROWTH DURING THEREMAINDER OF THE YEAR. EXPENDITURES DURING THE PERIOD WERE A SMALLER RATIO OF AUTHORIZED LEVELS THAN IN 1977 BECAUSE THE GOVERNMENT FUNCTIONED ON THE BASIS OF 1977 AUTHORIZATIONS DURING THE EARLY MONTHS OF THIS YEAR. OUTLAYS WILL RISE DURING COMING MONTHS, BUT THE GOP APPARENTLY WILL BE ABLE TO OPERATE WITHIN THE CEILINGS OF ITS 1978 BUDGET AUTHORIZATIONS.

9. MONEY AND CREDIT:
PROVISIONAL MONETARY DATA INDICATE THAT THE CREDIT SQUEEZE INTRODUCED IN EARLY MAY HAS BEGUN TO HAVE AN EFFECT ON MONEY SUPPLY. DOMESTIC CREDIT OUTSTANDING AT THE END OF JUNE APPARENTLY WAS ALMOST 26 PERCENT HIGHER THAN A YEAR EARLIER. THIS LEVEL REPRESENTS A 6 PERCENT DECELERATION IN THE RATE OF DOMESTIC CREDIT EXPANSION OF A YEAR AGO, BUT IS WELL IN EXCESS OF THE 21.7 PERCENT ANNUAL RATE (DECEMBER 1978/DECEMBER 1977) IMPLIED BY THE GOP'S CREDIT TARGETS (SEE LISBON 3754, PARA 2). THE BANKING SYSTEM IN FACT EXCEEDED THE OFFICIAL JUNE 1978 DOMESTIC CREDIT TARGET BY 5 BILLION ESCUDOS (0.7 PERCENT). THE GOP AND THE CENTRAL BANK SUCCEEDED , HOWEVER, IN KEEPING NET CREDIT TO THE PUBLIC SECTOR AND NET FOREIGN LIABILITIES WITHIN THE IMF-AGREED TARGETS. WHILE THE FIRST SEMESTER'S RAPID INCREASE IN DOMESTIC CREDIT PERMITTED THE ECONOMY TO EXPAND RAPIDLY, IT SERIOUSLY COMPLICATED THE CENTRAL BANK'S CREDIT MANAGEMENT TASKS. MOREOVER, PRELIMINARY DATA FOR JULY (WHICH ARE NOT YET AVAILABLE TO THE EMBASSY) REPORTEDLY INDICATE THAT THE CREDIT TARGET WAS EXCEEDED LAST MONTH BY 10 BILLION ESCUDOS. IN AN EFFORT TO BRING CREDIT VOLUME CLOSER TO TARGET LEVELS, THE CENTRAL BANK HAS CHANGED ITS INDICATIVE GUIDELINES INTO MANDATORY LIMITS FOR EACH BANK. IN ADDITION, IT HAS DRASTICALLY LIMITED ACCESS TO THE REDISCOUNT WINDOW. WHEREAS REDISCOUNTS
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OSCILLATED BETWEEN 85 AND 88 BILLION ESCUDOS IN THE APRIL-
JULY PERIOD, THEY ARE LIMITED TO 72 BILLION FOR AUGUST. THIS
DECISION, IF IMPLEMENTED RIGOROUSLY, WOULD SHARPEN
BRUSQUELY THE CREDIT SQUEEZE. THE BANK PLANS TO REVIEW
THIS CEILING ON AUGUST 21 TO DETERMINE WHETHER IT IS
FEASIBLE TO HOLD THE BANKS TO THE STIPULATED LEVEL. END
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10. PRICES:
PORTUGAL'S CONSUMER PRICE INDEX DURING THE FIRST HALF
OF 1978 ROSE AN AVERAGE OF 21.1 PERCENT OVER THE SAME PERIOD
OF 1977. ON A POINT TO POINT BASIS, PRICES IN JUNE WERE
UP 19.8 PERCENT OVER JUNE 1977, WITH FOOD AND BEVERAGES
INCREASING 17.7 PERCENT; GARMENTS AND FOOTWEAR, 18.7 PERCENT;
HOUSEHOLD EXPENDITURES, 29 PERCENT; AND MISCELLANEOUS,
21.8 PERCENT. WHILE THE OVERALL INDEX ROSE 1 PERCENT
BETWEEN MAY AND JUNE 1978, THE FOOD AND BEVERAGE COMPONENT
DECLINED 0.7 PERCENT, CHIEFLY BECAUSE OF SEASONAL PRICES
QUOTED FOR FRESH VEGETABLE(DOWN 15.2 PERCENT), FRUIT (DOWN
5.8 PERCENT), AND CHICKENS (DOWN 6.1 PERCENT). PORTUGUESE
CONSUMERS RECEIVED LITTLE ENCOURAGEMENT FROM THIS TEMPORARILY
FAVORABLE TREND. LAST WEEK THE GOP PUBLISHED NEW, HIGHER
MAXIMUM PRICES FOR A VARIETY OF FRUITS FOR THE PERIOD AUGUST 15
TO OCTOBER 31. FOR EXAMPLE, TABLE GRAPES WILL INCREASE
FROM 21 TO 29 ESCUDOS PER KILOGRAM AND MELONS FROM 9 TO 12
ESCUDOS PER KILO.
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11. LABOR UNREST INCREASES:

THE GOP'S ABILITY TO EXERCISE ITS AUTHORITY IN SETTLING LABOR DISPUTES HAS BEEN SERIOUSLY IMPAIRED BY THE CURRENT POLITICAL CRISIS. THE MERCHANT MARINE DISPUTE (LISBON 5732) CONTINUES UNRESOLVED, AND THE GOVERNMENT IS RELUCTANT TO DECREE A SETTLEMENT IN THE FACE OF UNION WARNINGS THAT A DICTATED SETTLEMENT WILL BE IGNORED. CONTRACT NEGOTIATIONS HAVE BROKEN DOWN ALSO IN THE IMPORTANT METALLURGICAL, CIVIL
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CONSTRUCTION, AND CHEMICAL INDUSTRIES WHERE EXCEPTIONALLY STRONG AND POLITICALLY MOTIVATED UNIONS ARE CONTEMPLATING STRIKE ACTION. IN EACH INSTANCE THE DISPUTES CENTER PRIMARILY ON WAGES AND NEGOTIATED SETTLEMENTS DO NOT SEEM LIKELY. RESOLUTION OF THESE CONFLICTS, THEREFORE, WILL DEPEND ON SOME FORM OF GOVERNMENT INTERVENTION WHICH PROBABLY CANNOT BE UNDERTAKEN UNTIL A NEW GOVERNMENT IS IN PLACE. WHILE THE SITUATION IS POTENTIALLY SERIOUS, THE GOP DOES HAVE SOME BREATHING ROOM. AUGUST AND SEPTEMBER ARE VACATION MONTHS AND UNIONS ARE NOT APT TO TAKE MORE THAN TOKEN STRIKE ACTION UNTIL WORKERS ARE BACK FROM HOLIDAYS. SHOULD THE DISPUTES DRAG INTO OCTOBER, SIGNIFICANT LABOR UNREST COULD MATERIALIZE. FOR THE PRESENT, THE PCP APPEARS TO HAVE OPTED FOR CONTINUED MODERATION IN THE LABOR SECTOR.

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12. CONCLUSION:
THE ECONOMY IS AT A TURNING POINT. IT MAY HAVE EXPANDED BY A RATE OF SOME 5 PERCENT DURING THE FIRST HALF OF THE

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YEAR, BUT AVAILABLE GLOBAL DATA ARE NOT YET SUFFICIENT
TO PROVIDE RELIABLE INDICATORS. THIS GROWTH, HOWEVER,
STIMULATED IMPORTS AND THRIVED ON AN UNPROGRAMMED EXPANSION
OF DOMESTIC (AND FOREIGN SHORT TERM) CREDITS. INDICATIONS
EXIST THAT THE FALL IN REAL INCOME, THE HIGHER INTEREST
RATES, AND THE SLOWER INCREASE OF PUBLIC EXPENDITURES ARE
REDUCING THE GROWTH RATE. IF THE GOP NOW REDUCES TOTAL
DOMESTIC CREDIT TO THE TARGETED LIMITS, ECONOMIC GROWTH
MAY COME TO A MUCH MORE ABRUPT HALT THAN HAD BEEN FORSEEN,
PARTICULARLY SINCE PRIVATE INVESTMENT APPEARS UNWILLING
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TO COMPENSATE FOR THE SLACK IN CONSUMER DEMAND. WHETHER
THE GOP CAN REALISTICALLY IMPLEMENT AND MAINTAIN SUCH
A TIGHT POLICY, ESPECIALLY DURING THE PRESENT POLITICAL
CRISIS, REMAINS TO BE SEEN.

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STATISTICS:
1. BALANCE OF PAYMENTS (MILLIONS OF DOLLARS)

	1977		1978	
	1ST QUARTER	1ST HALF	1ST QUARTER	1ST HALF
EXCHANGE RATE				
U.S. $1 EQUALS	(34.561)	(36.653)	(40.372)	(42.235)
(1) CURRENT ACCOUNT	-315	-793	-449	-800
TRADE	-515	-1,202	-644	-1,314
--IMPORTS	-1,009	2,197	1,202	2,455
--EXPORTS	494	995	558	1,141
INVISIBLES (NET)	-54	-110	-92	-129
--TOURISM	49	98	53	125
(DEBIT)	29	59	21	50
(CREDIT)	78	157	74	175
--TRANSPORT (NET)	-31	-64	-58	-95
--INVESTMENT INCOME (NET)	-42	-76	-68	-135
--OTHERS (NET)	-40	-68	-19	-24
UNILATERAL TRANSFERS (NET)	264	518	287	642
--IMMIGRANT REMITTANCES	277	541	294	651
(2) CAPITAL ACCOUNT	-54	N.A.	27	N.A.

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PRIVATE SECTOR (NET)	-54	N.A.	39	N.A.
PUBLIC SECTOR (NET)	(A)	N.A.	-12	N.A.
(3) BASIC BALANCE (1 PLUS 2)	-369	N.A.	-422	N.A.
(4) SHORT TERM CAPITAL, ERRORS & OMISSIONS	42	N.A.	26	N.A.
(5) BALANCE OF NON-MONETARY OPERTIONS (3 PLUS 4)	-327	N.A.	-396	N.A.
(6) OFFICIAL STATE-MENTS BALANCE	-274	N.A.	-209	N.A.
(7) EXTERNAL CREDIT TO CENTRAL BANK	224	N.A.	-77	N.A.

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BRUSSELS FOR EEC
GENEVA FOR MTN
PARIS ALSO FOR OECD

(8) CHANGE IN
NET CLAIMS ABROAD
OF CENTAL MONETARY
INSTITUTIONS (NEG-
ATIVE SIGN SHOWS
INCREASE) 50 N.A. 286 N.A.
CENTRAL BANK 71 N.A. 294 N.A.
--ASSETS 67 N.A. 294 N.A.
--LIABILITIES 4 N.A. -- N.A.
TREASURY -21 N.A. -8 N.A.
--ASSETS -21 N.A. -8 N.A.
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--LIABILITIES -- N.A. -- N.A.

FOOTNOTE (A) LESS THAN $240,000
BANK OF PORTUGAL

2. FOREIGN EXCHANGE RESERVES (MILLIONS OF DOLLARS)
12/31/77 326
5/31/78 269

3. ESCUDO/DOLLAR EXCHANGE RATE
A. DECEMBER 30, 1977 - 39.721
B. JULY 3, 1978 - 45.450
C. JULY 31, 1978 - 45.204
D. JULY AVERAGE - 45.393
E. AUGUST 16, 1978 - 44.291

4. OUTPUT AND DEMAND:
A. INDUSTRIAL PRODUCTION, TREND INDEX (1970 EQUALS 100)

	1978	1977	1976
JANUARY - APRIL	170.0	155.1	138.6

B. INDUSTRIAL CAPACITY UTILIZATION (PERCENT)
FIRST QUARTER 1977 78
FIRST QUARTER 1978 78
C. STEEL INGOT PRODUCTION (METRIC TONS)

	JANUARY-FEB.
1977	59,978
1978	61,858

D. CEMENT PRODUCTION/CONSUMPTION (1,000 M.T.)

JANUARY-MAY	1978	1977
PRODUCTION	2,121	1,747
CONSUMPSION	2,082	1,702

E. ELECTRICITY PRODUCTION (1,000 KWH)

	1978	1977

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JANUARY - FEBRUARY 2,762,000 2,658,000
F. CONSTRUCTION
LICENSES ISSUED FOR NEW CONSTRUCTION (1ST QUARTER)

	1978	1977
TOTAL	13,035	11,433
HOUSING	10,626	9,173

5. CONSUMAR PRICE INDEX (AVG. 1976 PRICES EQUAL 100)

	JAN/JUNE AVERAGE		PERCENT CHANGE	JUNE		PERCENT CHANGE
	1977	1978		1977	1978	
COMPONENTS FOOD AND BEVERAGES	126.9	153.7	21.1	135.8	159.8	17.7
GARMENTS & FOOTWEAR	113.8	134.5	18.2	115.6	137.2	18.7
HOUSEHOLD EX-PENDITURES	118.1	148.2	25.2	124.4	160.5	29.0
MISCELLAN-EOUS	114.3	136.8	19.7	117.9	143.6	21.8
TOTAL	121.8	147.5	21.1	128.6	154.1	19.8

6. MONEY AND CREDIT (BILLIONS OF ESCUDOS)

	12/76	4/77	12/77	3/78	4/78
A. M1	246	238	275	266	259
B. M2	461	479	566	595	598
C. DOMESTIC CREDIT TOTAL	495	533	654	671	685
PUBLIC SECTOR:	78	96	130	138	139
D. NET FOREIGN LIABILITIES	4.5	-16	-37	-43	-47

7. AVERAGE INTEREST RATES

	JULY 1978	DEC. 1977
UP TO 90 DAYS	18.25	14.75
ONE YEAR	20.0	16.5
TWO YEARS	20.5	17.0

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FROM 2 TO 5 YEARS	21.25	17.75
OVER 5 YEARS	22.25	18.75

8. CENTRAL GOVERNMENT BUBGET OPERTION (JANUARY-MAY)
(BILLIONS OF ESCUDOS)

	1977	1978	PERCENT CHANGE

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		(1978 OVER 1977)	
REVENUE	42.22	44.49	5.4
CURRENT	38.87	41.20	6.0
CAPITAL	0.36	0.12	-66.7
OTHER	2.99	3.17	6.0
EXPENDITURES	45.50	46.01	3.1
CURRENT	N.A.	40.51	N.A.

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ACTION TRSE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 PA-01 AGRE-00 /109 W
----------029645 181535Z /42
P R 181051Z AUG 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 3364
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY GENEVA
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY PARIS
AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

C O N F I D E N T I A L SECTION 6 OF 6 LISBON 6151

DEPT PASS TREASURY FOR SYVRUD
BRUSSELS FOR EEC
GENEVA FOR MTN
PARIS ALSO FOR OECD

CAPITAL	N.A.	5.10	N.A.
OTHER	N.A.	1.30	N.A.
DEFICIT	3.28	2.42	-26.2

9. HOURLY WAGE INDEX (INDUSTRIAL/TRANSPORTATION)
TREND INDEX - 1968 EQUALS 100
FIRST QUARTER
1978 1977 1975
A) LISBON

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NOMINAL 348.3 322.0 268
REAL 95.5 100.4 115
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B) OPORTO
NOMINAL 398.4 356.5 302
REAL 108.7 118.7 136

10. IMMIGRATION 1976 1977 1978 1978/1977
FIRST QUARTER 4,676 3,775 4,620 PLUS 22.4
PERCENT

END LIMITED OFFICIAL USE
ROWELL

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Message Attributes

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